



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

June 30, 2014

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on Madison County, Iowa.

The County had local tax revenue of \$24,795,495 for the year ended June 30, 2013, which included \$918,936 in tax credits from the state. The County forwarded \$19,646,917 of the local tax revenue to the townships, school districts, cities and other taxing bodies in the County.

The County retained \$5,148,578 of the local tax revenue to finance County operations, a 2.2% increase over the prior year. Other revenues included charges for service of \$1,652,592, operating grants, contributions and restricted interest of \$3,383,733, capital grants, contributions and restricted interest of \$2,385,776, local option sales tax of \$638,033, unrestricted investment earnings of \$13,259 and other general revenues of \$207,921.

Expenses for County operations for the year ended June 30, 2013 totaled \$11,184,534, a 14.7% decrease from the prior year. Expenses included \$4,739,741 for roads and transportation, \$2,416,184 for public safety and legal services and \$898,018 for administration.

A copy of the audit report is available for review in the County Auditor's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1310-0061-B00F.pdf>.

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MADISON COUNTY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013

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Madison County

Officials

(Before January 2013)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Weeks	Board of Supervisors	Jan 2013
Robert Duff	Board of Supervisors	Jan 2015
Kirk Macumber	Board of Supervisors	Jan 2015
Joan Welch	County Auditor	Jan 2013
G. Joann Collins	County Treasurer	Jan 2015
Lisa Smith	County Recorder	Jan 2015
Craig Busch	County Sheriff	Jan 2013
Julie A. Forsyth	County Attorney	Jan 2015
Joni J. Hopkins	County Assessor	Jan 2016

(After January 2013)

Robert Duff	Board of Supervisors	Jan 2015
Kirk Macumber	Board of Supervisors	Jan 2015
Aaron Price	Board of Supervisors	Jan 2017
Heidi Burhans	County Auditor	Jan 2017
G. Joann Collins	County Treasurer	Jan 2015
Lisa Smith	County Recorder	Jan 2015
Craig Busch	County Sheriff	Jan 2017
Julie A. Forsyth	County Attorney	Jan 2015
Joni J. Hopkins	County Assessor	Jan 2016

Madison County



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Independent Auditor's Report

To the Officials of Madison County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Madison County as of June 30, 2013, and the respective changes in its financial position and, where applicable, its cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 9 through 15 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2014 on our consideration of Madison County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Madison County's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 27, 2014

Madison County

MANAGEMENT'S DISCUSSION AND ANALYSIS

Madison County provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Revenues of the County's governmental activities decreased 21.3%, or approximately \$3,635,000, from fiscal year 2012 to fiscal year 2013. Charges for service increased approximately \$231,000, operating grants, contributions and restricted interest decreased approximately \$835,000 and capital grants, contributions and restricted interest decreased approximately \$3,045,000.
- Program expenses of the County's governmental activities were 26.3%, or approximately \$3,982,000, less in fiscal year 2013 than in fiscal year 2012. Roads and transportation expenses decreased approximately \$2,950,000 and mental health expenses decreased approximately \$1,140,000.
- The County's net position increased 11.7%, or approximately \$2,245,000, from June 30, 2012 to June 30, 2013.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Madison County as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Madison County's operations in more detail than the government-wide financial statements by providing information about the most significant funds. The remaining financial statements provide information about activities for which Madison County acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental and the individual Internal Service and Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the County's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the County's net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The County's governmental activities are presented in the Statement of Net Position and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has three kinds of funds:

1) Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Mental Health, Rural Services and Secondary Roads, and 3) the Debt Service Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary funds account for the County's Internal Service, Fuel, Supplies, Employee Group Health and Unemployment Insurance Funds. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3) Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for auto license and use tax, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

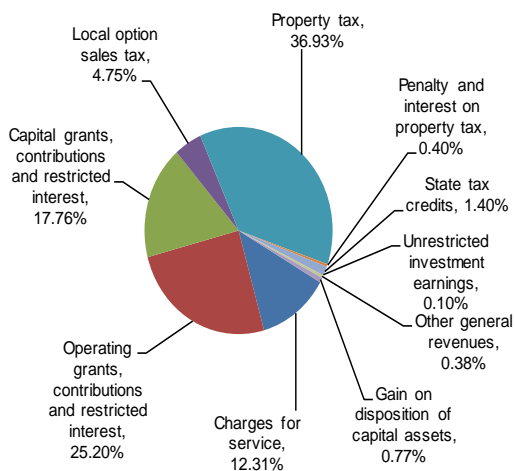
As noted earlier, net position may serve over time as a useful indicator of financial position. Madison County's combined net position at the end of fiscal year 2012 totaled approximately \$19.2 million. This compares to fiscal year 2013 at approximately \$21.4 million. The analysis that follows focuses on the changes in the net position of governmental activities.

Net Position of Governmental Activities (Expressed in Thousands)		
	June 30,	
	2013	2012 (Restated)
Current and other assets	\$ 10,522	10,655
Capital assets	18,834	16,979
Total assets	29,356	27,634
Long-term liabilities	2,065	2,049
Other liabilities	5,852	6,391
Total liabilities	7,917	8,440
Net position:		
Net investment in capital assets	17,786	15,856
Restricted	2,298	2,250
Unrestricted	1,355	1,088
Total net position	\$ 21,439	19,194

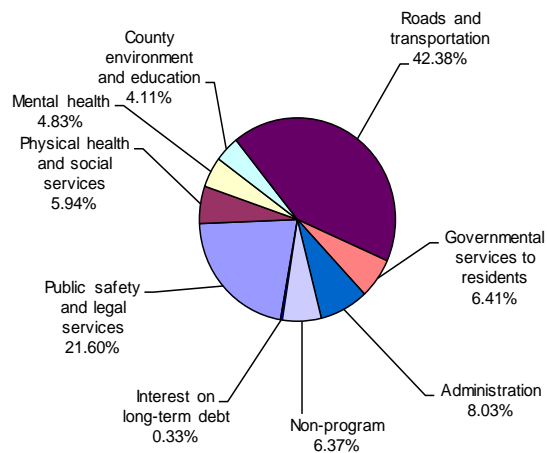
Net position of Madison County's governmental activities increased 11.7% (approximately \$19.2 million compared to approximately \$21.4 million). The largest portion of the County's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased from approximately \$1,088,000 at June 30, 2012 to approximately \$1,355,000 at the end of this year, an increase of 24.5%. This increase is primarily due to a decrease in legal fees.

Changes in Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012 (Restated)
Revenues:		
Program revenues:		
Charges for service	\$ 1,653	1,422
Operating grants, contributions and restricted interest	3,384	4,219
Capital grants, contributions and restricted interest	2,386	5,431
General revenues:		
Property tax	4,960	4,880
Penalty and interest on property tax	54	73
State tax credits	188	158
Local option sales tax	638	657
Unrestricted investment earnings	13	15
Gain on disposition of capital assets	103	67
Other general revenues	51	143
Total revenues	13,430	17,065
Program expenses:		
Public safety and legal services	2,416	2,898
Physical health and social services	665	694
Mental health	540	1,680
County environment and education	460	704
Roads and transportation	4,740	7,690
Governmental services to residents	717	470
Administration	898	817
Non-program	712	180
Interest on long-term debt	37	34
Total expenses	11,185	15,167
Change in net position	2,245	1,898
Net position beginning of year	19,194	17,296
Net position end of year	\$ 21,439	19,194

Revenues by Source



Expenses by Program



Madison County's net position of governmental activities increased approximately \$2,245,000 during the year. Revenues for governmental activities decreased approximately \$3,635,000 from the prior year, with property tax revenue up from the prior year approximately \$80,000, or 1.6%.

The countywide property tax levy rate decreased 0.19%, or \$.01547 per \$1,000 of taxable valuation, for fiscal year 2013. The rural property tax levy rate per \$1,000 of taxable valuation remained the same as for fiscal year 2012. There was also an increase in the overall valuation of approximately \$14 million, or 2%, resulting in an increase in total property tax levied between fiscal year 2012 and fiscal year 2013 of \$106,778.

The cost of all governmental activities this year was approximately \$11.2 million compared to approximately \$15.2 million last year. However, as shown in the Statement of Activities on page 19, the amount taxpayers ultimately financed for these activities was approximately \$3.8 million because some of the cost was paid by those directly benefited from the programs (approximately \$1.7 million) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$5.8 million). Overall, the County's governmental program revenues, including intergovernmental aid and charges for service, decreased in fiscal year 2013 from approximately \$11,072,000 to approximately \$7,423,000, principally due to a decrease in capital grants, contributions and restricted interest from \$5,431,000 in fiscal year 2012 to \$2,386,000 in fiscal year 2013. The County's overall governmental activities costs decreased in fiscal year 2013 from approximately \$15,167,000 to approximately \$11,185,000, or 26.3%. This decrease is primarily due to a combination of legal fees for an ongoing environmental suit in fiscal year 2012 with no such fees in fiscal year 2013, a decrease in the mental health services provided and less Secondary Roads' heavy equipment purchases in fiscal year 2013.

INDIVIDUAL MAJOR FUND ANALYSIS

As Madison County completed the year, its governmental funds reported a combined fund balance of approximately \$3.9 million, an increase of approximately \$753,000 above last year's total of approximately \$3.1 million. The 24% increase in fund balance is primarily attributable to the following:

- General Fund revenues decreased approximately \$57,000, or 1.2%, from the prior year. Expenditures decreased approximately \$259,000, or 5.4%, from the prior year. The ending fund balance increased approximately \$132,000, or 10%, from the prior year, from \$1,310,830 to \$1,442,605.
- The County has continued to look for ways to effectively manage the cost of mental health services. Current year revenues decreased approximately \$137,000, or 13.3%, and current year expenditures decreased approximately \$1,140,000, or 67.9%, from the prior year. The Special Revenue, Mental Health Fund balance at year end increased approximately \$355,000, or 225%, from the prior year, from a deficit of \$157,706 at June 30, 2012 to \$197,408 at June 30, 2013.
- The Special Revenue, Rural Services Fund revenues increased approximately \$48,000, or 2.5%. Expenditures increased approximately \$135,000 when compared to the prior year while transfers out to the Special Revenue, Secondary Roads Fund increased approximately \$42,000. These changes resulted in the ending fund balance decreasing approximately \$46,000, or 12.9%, from the prior year to \$310,609.
- Special Revenue, Secondary Roads Fund revenues decreased approximately \$77,000, or 2.3%, and expenditures decreased approximately \$241,000, or 5.0%, from fiscal year 2012 to fiscal year 2013. The ending fund balance increased 5.9%, or approximately \$93,000, from the prior year to an ending balance of \$1,670,317.

BUDGETARY HIGHLIGHTS

Over the course of the year, Madison County amended its budget two times. The first amendment, made in January 2013, increased the budgets for the county environment and education and capital projects functions. The second amendment, made in May 2013, increased the budget for the public safety and legal services, physical health and social services and roads and transportation functions.

The County's receipts were approximately \$96,000 less than budgeted, a variance of less than 1%. The most significant variance resulted from the County receiving fewer than anticipated grants.

Total disbursements were approximately \$1,248,000 less than the amended budget. This was primarily due to the County spending approximately \$185,000 less than budgeted for capital projects, approximately \$687,000 less than budgeted for mental health and approximately \$107,000 less than budgeted for roads and transportation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, Madison County had approximately \$18.8 million invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, roads and bridges and intangible assets. This is a net increase (including additions and deletions) of approximately \$1,855,000, or 10.9%, over last year.

Capital Assets of Governmental Activities at Year End (Expressed in Thousands)		
	June 30,	
	2013	2012 (Restated)
Land	\$ 1,578	1,578
Intangibles	104	104
Construction in progress	2,237	-
Buildings and improvements	2,569	2,666
Equipment and vehicles	2,370	2,138
Infrastructure	9,976	10,493
Total	\$ 18,834	16,979

This year's major additions included (in thousands):

Vehicles	\$ 562
Infrastructure	2,237
Total	\$ 2,799

The County had depreciation expense of \$1,045,950 in fiscal year 2013 and total accumulated depreciation of \$8,929,411 at June 30, 2013.

More detailed information about the County's capital assets is presented in Note 5 to the financial statements.

Long-Term Debt

At June 30, 2013, Madison County had approximately \$1,186,000 of capital loan notes, general obligation bonds, settlement and capital lease purchase agreement obligations outstanding, compared to approximately \$1,261,000 at June 30, 2012, as shown below.

Outstanding Debt of Governmental Activities at Year-End (Expressed in Thousands)		
	June 30,	
	2013	2012
Capital lease purchase agreement	\$ 7	13
Capital loan notes	21	30
General obligation bonds	1,020	1,080
Settlement	138	138
Total	\$ 1,186	1,261

The Constitution of the State of Iowa limits the amount of debt counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. Madison County's outstanding debt is significantly below its constitutional debt limit of approximately \$65 million. Additional information about the County's long-term debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Madison County's elected and appointed officials and citizens consider many factors when budgeting each fiscal year. Tax rates and fees for various county services are only part of what has to be considered. The economy is another major factor. Interest rates continue to be low and document recording fees seem to be coming in slightly stronger than in the recent past. More homes are being refinanced as the mortgage market improves and building permits are holding steady. In addition, union wages are set through June 30, 2016.

The number one problem with budgeting over the last several years has been an ongoing legal battle over environmental issues. The cost of litigation ultimately was \$949,406, with the final payment of \$75,006 made in the fiscal year ending June 30, 2014. Another essential part of Madison County's economy is our roads. A shortage of funding for roads the last couple of years has put undue stress on both our road system and the County's budget. In addition, the unknown mandates coming down from the State in the form of reduced grants, proposed reductions and controls to be placed on property tax affect our ability to generate revenue. Levy rates for fiscal year 2013 decreased \$.02 per \$1,000 of taxable valuation due to a reduction of the county-wide debt. Madison County officials are expected to continue to provide essential county services, but continue to struggle to maintain strong fund balances. All of these issues have certainly added to our budgeting challenges.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of Madison County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Madison County Auditor's Office, 112 North John Wayne Drive, Winterset, Iowa 50273-1534.

Madison County

Basic Financial Statements

Exhibit A

Madison County
Statement of Net Position
June 30, 2013

	<u>Governmental Activities</u>
Assets	
Cash, cash equivalents and pooled investments	\$ 4,568,404
Receivables:	
Property tax:	
Delinquent	31,623
Succeeding year	4,780,000
Accounts	298,067
Accrued interest	1,148
Due from other governments	550,496
Inventories	292,577
Capital assets, net of accumulated depreciation	18,834,235
Total assets	<u>29,356,550</u>
Liabilities	
Accounts payable	467,281
Accrued interest payable	3,092
Salaries and benefits payable	66,850
Due to other governments	535,082
Deferred revenue:	
Succeeding year property tax	4,780,000
Long-term liabilities:	
Portion due or payable within one year:	
Capital lease purchase agreement	5,996
Capital loan notes	7,926
General obligation bonds	60,000
Settlement	137,500
Compensated absences	306,720
Portion due or payable after one year:	
Capital lease purchase agreement	1,352
Capital loan notes	13,046
General obligation bonds	960,000
Compensated absences	238,599
Net OPEB liability	333,700
Total liabilities	<u>7,917,144</u>
Net Position	
Net investment in capital assets	17,785,915
Restricted for:	
Supplemental levy purposes	105,298
Mental health purposes	197,408
Rural services purposes	253,439
Secondary roads purposes	1,107,357
Debt service	15,008
Other purposes	619,652
Unrestricted	1,355,329
Total net position	<u>\$ 21,439,406</u>
See notes to financial statements.	

Madison County
Statement of Activities
Year ended June 30, 2013

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Operating Grants, Charges for Service	Capital Grants, Contributions and Restricted Interest	Contributions and Restricted Interest	
	Expenses				
Functions/Programs:					
Governmental activities:					
Public safety and legal services	\$ 2,416,184	705,656	21,628	-	(1,688,900)
Physical health and social services	665,024	93,047	88,997	-	(482,980)
Mental health	539,900	27,714	331,690	-	(180,496)
County environment and education	459,495	102,514	110,116	-	(246,865)
Roads and transportation	4,739,741	79,242	2,718,048	2,385,776	443,325
Governmental services to residents	717,075	323,604	98,556	-	(294,915)
Administration	898,018	59,737	14,698	-	(823,583)
Non-program	711,588	261,078	-	-	(450,510)
Interest on long-term debt	37,509	-	-	-	(37,509)
Total	\$ 11,184,534	1,652,592	3,383,733	2,385,776	(3,762,433)
General Revenues:					
Property and other county tax levied for general purposes					4,960,047
Penalty and interest on property tax					54,362
State tax credits					188,531
Local option sales tax					638,033
Unrestricted investment earnings					13,259
Gain on disposition of capital assets					102,557
Miscellaneous					51,002
Total general revenues					6,007,791
Change in net position					2,245,358
Net position beginning of year, as restated					19,194,048
Net position end of year					\$ 21,439,406
See notes to financial statements.					

Madison County
Balance Sheet
Governmental Funds

June 30, 2013

		Special Revenue	
	General	Mental Health	Rural Services
Assets			
Cash, cash equivalents and pooled investments	\$ 1,419,220	779,886	225,473
Receivables:			
Property tax:			
Delinquent	23,743	1,940	5,940
Succeeding year	3,025,000	482,000	1,273,000
Accounts	280,701	2,000	2,901
Accrued interest	1,148	-	-
Due from other governments	42,716	51,604	86,206
Inventories	-	-	-
Advance to Internal Service Fund	60,000	-	-
Total assets	\$ 4,852,528	1,317,430	1,593,520
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 128,847	59,250	3,971
Salaries and benefits payable	33,674	1,750	-
Due to other governments	-	535,082	-
Deferred revenue:			
Succeeding year property tax	3,025,000	482,000	1,273,000
Other	222,402	41,940	5,940
Total liabilities	3,409,923	1,120,022	1,282,911
Fund balances:			
Nonspendable:			
Inventories	-	-	-
Advance to Internal Service Fund	60,000	-	-
Restricted for:			
Supplemental levy purposes	265,978	-	-
Mental health purposes	-	197,408	-
Rural services purposes	-	-	310,609
Secondary roads purposes	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Assigned for conservation land acquisition	3,643	-	-
Unassigned	1,112,984	-	-
Total fund balances	1,442,605	197,408	310,609
Total liabilities and fund balances	\$ 4,852,528	1,317,430	1,593,520

See notes to financial statements.

Secondary Roads	Nonmajor	Total
1,207,964	259,697	3,892,240
-	-	31,623
-	-	4,780,000
4,344	336	290,282
-	-	1,148
349,462	20,508	550,496
253,439	-	253,439
-	-	60,000
1,815,209	280,541	9,859,228
113,466	1,560	307,094
31,426	-	66,850
-	-	535,082
-	-	4,780,000
-	-	270,282
144,892	1,560	5,959,308
253,439	-	253,439
-	-	60,000
-	-	265,978
-	-	197,408
-	-	310,609
1,416,878	-	1,416,878
-	15,077	15,077
-	263,904	263,904
-	-	3,643
-	-	1,112,984
1,670,317	278,981	3,899,920
1,815,209	280,541	9,859,228

Madison County

Madison County

Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position

June 30, 2013

Total governmental fund balances (page 21)	\$ 3,899,920
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$27,763,646 and the accumulated depreciation is \$8,929,411.

18,834,235

Other long-term assets are not available to pay current year expenditures and, therefore, are deferred in the governmental funds.

270,282

The Internal Service Funds are used by management to charge the costs of the self funding of the County's health insurance benefit plan and other internal costs to individual funds. The assets and liabilities of the Internal Service Funds are included with governmental activities in the Statement of Net Position.

502,900

Long-term liabilities, including settlement payable, capital lease purchase agreement payable, capital loan notes payable, general obligation bonds payable, compensated absences payable, other postemployment benefits payable and accrued interest payable, are not due and payable in the current year and, therefore, are not reported in the governmental funds.

(2,067,931)

Net position of governmental activities (page 18)

\$ 21,439,406

See notes to financial statements.

Madison County
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2013

		Special Revenue	
	General	Mental Health	Rural Services
Revenues:			
Property and other county tax	\$ 3,100,844	514,020	1,335,328
Local option sales tax	-	-	510,427
Interest and penalty on property tax	54,362	-	-
Intergovernmental	504,491	351,551	64,450
Licenses and permits	100	-	45,161
Charges for service	1,037,073	-	3,040
Use of money and property	62,043	22,850	-
Miscellaneous	27,576	4,864	23,397
Total revenues	4,786,489	893,285	1,981,803
Expenditures:			
Operating:			
Public safety and legal services	2,261,525	-	305,805
Physical health and social services	553,029	-	93,242
Mental health	-	538,171	-
County environment and education	425,788	-	-
Roads and transportation	-	-	-
Governmental services to residents	459,477	-	250,487
Administration	838,831	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total expenditures	4,538,650	538,171	649,534
Excess (deficiency) of revenues over (under) expenditures	247,839	355,114	1,332,269
Other financing sources (uses):			
Sale of capital assets	3,445	-	-
Operating transfers in	-	-	-
Operating transfers out	(119,509)	-	(1,378,587)
Total other financing sources (uses)	(116,064)	-	(1,378,587)
Change in fund balances	131,775	355,114	(46,318)
Fund balances beginning of year	1,310,830	(157,706)	356,927
Fund balances end of year	\$ 1,442,605	197,408	310,609

See notes to financial statements.

Secondary Roads	Nonmajor	Total
-	-	4,950,192
-	127,606	638,033
-	-	54,362
3,286,909	61,079	4,268,480
6,615	-	51,876
5,296	4,009	1,049,418
-	3,078	87,971
33,875	42,997	132,709
3,332,695	238,769	11,233,041
-	9,654	2,576,984
-	-	646,271
-	-	538,171
-	5,943	431,731
4,623,156	-	4,623,156
-	226	710,190
-	20,150	858,981
-	97,615	97,615
-	839	839
4,623,156	134,427	10,483,938
(1,290,461)	104,342	749,103
-	-	3,445
1,498,096	114,147	1,612,243
(114,147)	-	(1,612,243)
1,383,949	114,147	3,445
93,488	218,489	752,548
1,576,829	60,492	3,147,372
1,670,317	278,981	3,899,920

Madison County

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances -
Governmental Funds to the Statement
of Activities

Year ended June 30, 2013

Change in fund balances - Total governmental funds (page 25) \$ 752,548

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures and contributed capital assets exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 561,562	
Contributed capital assets	2,237,466	
Depreciation expense	<u>(1,045,950)</u>	1,753,078

In the Statement of Activities, the gain on the disposition of capital assets is reported, whereas the governmental funds report the proceeds from the disposition as an increase in financial resources. 102,556

Because some revenues will not be collected for several months after the County's year end, they are not considered available revenues and are deferred in the governmental funds, as follows:

Property tax	9,619	
Other	<u>(409,260)</u>	(399,641)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 74,822

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(20,854)	
Other postemployment benefits	(70,000)	
Interest on long-term debt	<u>106</u>	(90,748)

The Internal Service Funds are used by management to charge the costs of self funding of the County's health insurance benefit plan and other internal costs to individual funds. The change in net assets of the Internal Service Funds is reported with governmental activities. 52,743

Change in net position of governmental activities (page 19) \$ 2,245,358

See notes to financial statements.

Madison County
Statement of Net Position
Proprietary Funds

June 30, 2013

	<u>Internal Service</u>
Current Assets	
Cash and cash equivalents	\$ 676,164
Accounts receivable	7,785
Inventories	<u>39,138</u>
Total current assets	<u>723,087</u>
Current Liabilities	
Accounts payable	160,187
Advance from General Fund	<u>60,000</u>
Total current liabilities	<u>220,187</u>
Net Position	
Unrestricted	<u><u>\$ 502,900</u></u>

See notes to financial statements.

Exhibit H

Madison County
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2013

		<u>Internal Service</u>
Operating revenues:		
Reimbursements from operating funds and employees		\$ 1,719,797
Reimbursements from others		<u>269,848</u>
Total operating revenues		1,989,645
Operating expenses:		
Medical claims	\$ 1,511,088	
Materials and supplies	<u>424,876</u>	<u>1,935,964</u>
Operating income		53,681
Non-operating revenues:		
Interest income		<u>62</u>
Net income		53,743
Net position beginning of year		<u>449,157</u>
Net position end of year		<u><u>\$ 502,900</u></u>
See notes to financial statements.		

Madison County
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2013

	<u>Internal Service</u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 1,765,205
Cash received from others	316,424
Cash paid to suppliers for goods and services	<u>(2,110,371)</u>
Net cash used by operating activities	(28,742)
Cash flows from investing activities:	
Interest on investments	<u>62</u>
Decrease in cash and cash equivalents	(28,680)
Cash and cash equivalents beginning of year	<u>704,844</u>
Cash and cash equivalents end of year	<u><u>\$ 676,164</u></u>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ 53,681
Adjustments to reconcile operating income to net cash used by operating activities:	
Decrease in accounts receivable	92,255
Increase in inventories	(5,742)
Decrease in accounts payable	<u>(168,936)</u>
Net cash used by operating activities	<u><u>\$ (28,742)</u></u>
See notes to financial statements.	

Madison County
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Assets

Cash and pooled investments:

County Treasurer	\$ 1,128,512
Other County officials	19,694

Receivables:

Property tax:

Delinquent	62,005
Succeeding year	18,891,000

Accounts	25,443
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Special assessments	283,445
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Due from other governments	336
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Total assets	<u>20,410,435</u>
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Liabilities

Accounts payable	15,689
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Salaries and benefits payable	1,569
-------------------------------	-------

Due to other governments	20,335,510
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Trusts payable	55,667
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Compensated absences	2,000
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Total liabilities	<u>20,410,435</u>
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Net position	<u><u>\$ -</u></u>
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See notes to financial statements.

Madison County
Notes to Financial Statements
June 30, 2013

(1) Summary of Significant Accounting Policies

Madison County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Madison County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County.

These financial statements present Madison County (the primary government) and its component unit. The component unit discussed below is included in the County's reporting entity because of the significance of its operational or financial relationship with the County.

Blended Component Unit – Madison County Covered Bridge Preservation Association, Inc. (Association) is legally separate from the County, but is so intertwined with the County it is, in substance, the same as the County. The Association was established pursuant to Chapter 504A of the Code of Iowa to promote the repair, maintenance and preservation of Madison County's six covered bridges. The Association is reported as a Special Revenue Fund.

Jointly Governed Organizations – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Madison County Assessor's Conference Board, Madison County Emergency Management Commission, South Central Iowa Regional E-911 Board and the Madison County Empowerment Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Position presents the County's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds and proprietary funds are aggregated and reported as nonmajor governmental and proprietary funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, intellectual disabilities and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General Fund and the Special Revenue, Rural Services Fund and other revenues to be used for secondary road construction and maintenance.

Additionally, the County reports the following funds:

Proprietary Funds – Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds – Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Funds is charges to customers for sales and services. Operating expenses for Internal Service Funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2011 assessed property valuations; is for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2012.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Special Assessments Receivable – Special assessments receivable represents the amounts assessed to individuals for work done which benefits their property. These assessments are payable by individuals in not less than 10 nor more than 20 annual installments. Each annual installment with interest on the unpaid balance is due on September 30 and is subject to the same interest and penalties as other taxes. Delinquent special assessments receivable represents assessments which are due and payable but have not been collected. Succeeding year special assessments receivable represents remaining assessments which are payable but not yet due.

Due from and Due to Other Funds – During the course of its operations, the County has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2013, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Advances to/from Other Funds – Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account for governmental funds which indicates they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental and proprietary funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Infrastructure	\$ 50,000
Intangibles	50,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 - 50
Building improvements	20 - 50
Infrastructure	30 - 50
Intangibles	5 - 20
Equipment	2 - 20
Vehicles	3 - 10

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation, compensatory, and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2013. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund and the Special Revenue, Mental Health, Rural Services and Secondary Roads Funds.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

Net Position – The net position of the Internal Service, Employee Group Health Fund is designated for anticipated future catastrophic losses of the County.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash, Cash Equivalents and Pooled Investments

The County's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,403,006 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the County.

Concentration of credit risk – The County places no limit on the amount which may be invested in any one issuer.

(3) Advances Due From and Due to Other Funds

The detail of advances to/from other funds at June 30, 2013 is as follows:

Receivable Fund	Payable Fund	Amount
General	Internal Service: Fuel	<u>\$ 60,000</u>

This balance resulted from a loan between funds which has not been repaid.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
Special Revenue: Secondary Roads	General	\$ 119,509
	Special Revenue: Rural Services	<u>1,378,587</u>
		1,498,096
Covered Bridge	Secondary Roads	<u>114,147</u>
Total		<u>\$ 1,612,243</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2013 was as follows:

	Balance Beginning of Year, as restated	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,578,385	-	-	1,578,385
Intangibles, road network	104,029	-	-	104,029
Construction in progress	-	2,237,466	-	2,237,466
Total capital assets not being depreciated	<u>1,682,414</u>	<u>2,237,466</u>	-	<u>3,919,880</u>
Capital assets being depreciated:				
Buildings	3,815,091	-	-	3,815,091
Improvements other than buildings	31,147	-	-	31,147
Equipment and vehicles	6,973,218	667,176	(288,400)	7,351,994
Infrastructure, road network	12,645,534	-	-	12,645,534
Total capital assets being depreciated	<u>23,464,990</u>	<u>667,176</u>	<u>(288,400)</u>	<u>23,843,766</u>
Less accumulated depreciation for:				
Buildings	1,156,425	92,451	-	1,248,876
Improvements other than buildings	24,917	3,115	-	28,032
Equipment and vehicles	4,834,770	431,973	(284,342)	4,982,401
Infrastructure, road network	2,151,691	518,411	-	2,670,102
Total accumulated depreciation	<u>8,167,803</u>	<u>1,045,950</u>	<u>(284,342)</u>	<u>8,929,411</u>
Total capital assets being depreciated, net	<u>15,297,187</u>	<u>(378,774)</u>	<u>(4,058)</u>	<u>14,914,355</u>
Governmental activities capital assets, net	<u>\$16,979,601</u>	<u>1,858,692</u>	<u>(4,058)</u>	<u>18,834,235</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 118,530
Physical health and social services	9,348
Mental health	1,729
County environment and education	27,009
Roads and transportation	834,375
Administration	54,959
Total depreciation expense - governmental activities	<u>\$ 1,045,950</u>

(6) Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments at June 30, 2013 is as follows:

Fund	Description	Amount
Special Revenue:		
Mental Health	Services	<u>\$ 535,082</u>
Agency:		
County Offices	Collections	\$ 13,002
Agricultural Extension Education		195,342
County Assessor		482,624
Schools		12,121,945
Community Colleges		468,891
Corporations		4,025,957
Townships		282,047
County Hospital		1,783,188
Special Assessments		290,886
Auto License and Use Tax		433,774
Other		237,854
Total for agency funds		<u>\$ 20,335,510</u>

(7) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2013 is as follows:

	Capital Lease Purchase Agreement	Capital Loan Notes	General Obligation Bonds	Settlement	Compen- sated Absences	Net OPEB Liability	Total
Balance beginning of year	\$ 13,344	29,798	1,080,000	137,500	524,465	263,700	2,048,807
Increases	-	-	-	-	451,922	78,500	530,422
Decreases	5,996	8,826	60,000	-	431,068	8,500	514,390
Balance end of year	\$ 7,348	20,972	1,020,000	137,500	545,319	333,700	2,064,839
Due within one year	\$ 5,996	7,926	60,000	137,500	306,720	-	518,142

Capital Lease Purchase Agreement

The County entered into a capital lease purchase agreement to purchase an ambulance defibrillator. The following is a schedule of the future minimum lease payments, including interest at 7.27% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2013:

Year Ending June 30,	Amount
2014	\$ 6,928
2015	1,350
Total minimum lease payments	8,278
Less amount representing interest	1,113
Present value of net minimum lease payments	\$ 7,165

Capital Loan Notes

During the year ended June 30, 2012, the County issued \$39,539 of capital loan notes to F & M State Bank of Winterset, Iowa to aid in the acquisition of 400 acres of land to be used for conservation purposes. A summary of the County's June 30, 2013 capital loan note indebtedness to F & M State Bank is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	3.95%	\$ 7,926	829	8,755
2015	3.95	8,240	515	8,755
2016	3.95	4,806	189	4,995
Total		\$ 20,972	1,533	22,505

General Obligation Bonds Payable

A summary of the County's June 30, 2013 general obligation local option sales and services tax bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2014	2.35%	\$ 60,000	36,275	96,275
2015	2.35	60,000	34,865	94,865
2016	2.90	60,000	33,455	93,455
2017	2.90	65,000	31,712	96,712
2018	3.25	65,000	29,830	94,830
2019-2023	3.25 - 4.00	365,000	113,538	478,538
2024-2027	4.00 - 4.10	345,000	35,955	380,955
Total		\$ 1,020,000	315,630	1,335,630

(8) Pension and Retirement Benefits

The County contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the County is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$365,361, \$341,149 and \$296,621, respectively, equal to the required contributions for each year.

(9) Other Postemployment Benefits (OPEB)

Plan Description - The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 65 active and 4 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by First Administrators. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 88,500
Interest on net OPEB obligation	6,600
Adjustment to annual required contribution	<u>(16,600)</u>
Annual OPEB cost	78,500
Contributions made	<u>(8,500)</u>
Increase in net OPEB obligation	70,000
Net OPEB obligation beginning of year	<u>263,700</u>
Net OPEB obligation end of year	<u>\$ 333,700</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the County contributed \$8,500 to the medical plan. Plan members eligible for benefits contributed \$28,000, or 77% of the premium costs.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation are summarized as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 87,500	2.1%	\$ 170,500
2012	95,700	2.6	263,700
2013	78,500	10.8	333,700

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$642,000 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$642,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,039,000 and the ratio of the UAAL to covered payroll was 16%. As of June 30, 2013, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the County's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table 2000, applied on a gender-specific basis. Modest employee turnover and retirement rates were assumed for active employees.

Projected claim costs of the medical plan are \$642 per month for retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(10) Risk Management

The County is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Employee Group Health Plan

The Internal Service, Employee Group Health Fund was established to account for the partial self-funding of the County's health insurance benefit plan. The plan is funded by both employee and County contributions and is administered through a service agreement with First Administrators, Inc. The agreement is subject to automatic renewal provisions. The County assumes liability for claims up to the individual stop loss limitation of \$35,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of plan contributions to the Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, claims processed are paid to First Administrators, Inc. from the Employee Group Health Fund. The County's contribution for the year ended June 30, 2013 was \$1,323,557.

Amounts payable from the Employee Group Health Fund at June 30, 2013 total \$137,355, which is for incurred but not reported (IBNR) and reported but not paid claims. The amounts are based on actuarial estimates of the amounts necessary to pay prior-year and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$452,427 at June 30, 2013 and is reported as a designation of the Internal Service, Employee Group Health Fund net position. A liability has been established based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Settlements have not exceeded the stop-loss coverage in any of the past three years. A reconciliation of changes in the aggregate liability for claims for the current year is as follows:

Unpaid claims beginning of year	\$ 308,095
Incurred claims (including claims incurred but not reported at June 30, 2013)	1,511,088
Payments on claims during the fiscal year	<u>1,681,828</u>
Unpaid claims end of year	<u>\$ 137,355</u>

(12) Loan to Boone County

Effective July 1, 2007, Madison and Boone Counties entered into a 28E agreement to establish an administrative organization titled County Community Services. The purpose of the organization is to manage mental health and developmental disability services for the counties and provide targeted case management services. The agreement did not establish a legally separate entity. Instead, Boone County is to provide administrative services for the organization. In June 2006, Madison County agreed to loan \$25,000 to Boone County for start up costs. In January 2008, County Community Services prepared, and its Board approved, a document stating the \$25,000 and another \$15,000 contributed by Madison County in October 2006 were loaned to Boone County for the benefit of County Community Services. The agreement states the loan will be repaid to Madison County if County Community Services ceases to exist.

(13) Litigation Settlement

The County is a defendant in a lawsuit for which the probability and amount of loss, if any, is undeterminable. In addition, the County is asking the Court to rule whether certain activities by a private company constitute pollution. The outcome of the case and the resulting impact on the County, if any, are indeterminable at this time.

In June 2013, the County reached a settlement under which the County will pay \$137,500 to resolve an ongoing legal matter. The County's insurance company will pay the total settlement of \$685,000 and the County will reimburse the insurance company \$137,500 and pay a deductible of \$2,500.

(14) Restatement

The beginning net position for governmental activities was restated for capital assets not previously recorded.

	<u>Governmental Activities</u>
Balance June 30, 2012, as previously reported	\$ 18,714,982
Add: Capital assets not previously recorded	486,919
Less: Depreciation on assets which were placed in service but not previously depreciated	<u>(7,853)</u>
Balance July 1, 2012, as restated	<u>\$ 19,194,048</u>

Required Supplementary Information

Madison County

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) – All Governmental Funds

Required Supplementary Information

Year ended June 30, 2013

	Actual	Less Funds not Required to be Budgeted	Net
Receipts:			
Property and other county tax	\$ 5,588,571	-	5,588,571
Interest and penalty on property tax	54,410	-	54,410
Intergovernmental	4,323,334	-	4,323,334
Licenses and permits	49,650	-	49,650
Charges for service	1,059,956	-	1,059,956
Use of money and property	86,502	3,074	83,428
Miscellaneous	92,485	42,737	49,748
Total receipts	11,254,908	45,811	11,209,097
Disbursements:			
Public safety and legal services	2,509,703	-	2,509,703
Physical health and social services	692,079	-	692,079
Mental health	429,753	-	429,753
County environment and education	684,500	39,975	644,525
Roads and transportation	4,602,129	-	4,602,129
Governmental services to residents	467,313	-	467,313
Administration	861,766	-	861,766
Debt service	97,615	-	97,615
Capital projects	368,775	-	368,775
Total disbursements	10,713,633	39,975	10,673,658
Excess (deficiency) of receipts over (under) disbursements	541,275	5,836	535,439
Other financing sources, net	3,445	-	3,445
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	544,720	5,836	538,884
Balance beginning of year	3,347,520	92,232	3,255,288
Balance end of year	\$ 3,892,240	98,068	3,794,172

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Net
		Variance
5,635,950	5,635,950	(47,379)
69,471	69,471	(15,061)
4,286,320	4,449,256	(125,922)
45,600	45,600	4,050
930,895	930,895	129,061
90,548	90,548	(7,120)
56,804	83,201	(33,453)
11,115,588	11,304,921	(95,824)
2,468,681	2,541,038	31,335
758,183	757,239	65,160
1,116,550	1,116,550	686,797
667,816	725,423	80,898
4,448,311	4,708,861	106,732
470,765	470,765	3,452
949,512	950,912	89,146
97,615	97,615	-
607,140	553,407	184,632
11,584,573	11,921,810	1,248,152
(468,985)	(616,889)	1,152,328
2,500	2,500	945
(466,485)	(614,389)	1,153,273
3,247,672	3,255,160	128
2,781,187	2,640,771	1,153,401

Madison County

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2013

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 11,254,908	(21,867)	11,233,041
Expenditures	10,713,633	(229,695)	10,483,938
Net	541,275	207,828	749,103
Other financing sources, net	3,445	-	3,445
Beginning fund balances	3,347,520	(200,148)	3,147,372
Ending fund balances	\$ 3,892,240	7,680	3,899,920

See accompanying independent auditor's report.

Madison County

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2013

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component unit, the Internal Service Funds and the Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds and the Debt Service Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$337,237. The budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

Disbursements for the year ended June 30, 2013 did not exceed the amounts budgeted by function.

Madison County
Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	-	\$ 667	667	0.0%	\$ 3,174	21.0%
2011	Jul 1, 2009	-	616	616	0.0	3,698	17.0
2012	Jul 1, 2009	-	616	616	0.0	3,978	16.0
2013	Jul 1, 2012	-	642	642	0.0	4,039	16.0

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Madison County
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2013

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Local Option Sales Tax
Assets				
Cash and pooled investments	\$ 21,944	22,590	1	92,068
Accounts receivable	336	-	-	-
Due from other governments	-	-	-	20,508
Total assets	\$ 22,280	22,590	1	112,576
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	368	-	1,192
Fund balances:				
Restricted for:				
Debt service	-	-	-	-
Other purposes	22,280	22,222	1	111,384
Total fund balances	22,280	22,222	1	111,384
Total liabilities and fund balances	\$ 22,280	22,590	1	112,576

See accompanying independent auditor's report.

Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Total
8,892	1,057	98,068	15,077	259,697
-	-	-	-	336
-	-	-	-	20,508
8,892	1,057	98,068	15,077	280,541
-	-	-		1,560
-	-	-	15,077	15,077
8,892	1,057	98,068	-	263,904
8,892	1,057	98,068	15,077	278,981
8,892	1,057	98,068	15,077	280,541

Madison County
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2013

	Special Revenue			
	County Recorder's Records Management	Resource Enhancement and Protection	Covered Bridge	Local Option Sales Tax
Revenues:				
Local option sales tax	\$ -	-	-	127,606
Intergovernmental	-	15,215	45,864	-
Charges for service	4,009	-	-	-
Use of money and property	2	2	-	-
Miscellaneous	-	-	-	-
Total revenues	4,011	15,217	45,864	127,606
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
County environment and education	-	2,059	-	-
Governmental services to residents	226	-	-	-
Administration	-	-	-	20,150
Debt service	-	-	-	97,615
Capital projects	-	-	839	-
Total expenditures	226	2,059	839	117,765
Excess (deficiency) of revenues over (under) expenditures	3,785	13,158	45,025	9,841
Other financing sources:				
Transfers in	-	-	114,147	-
Change in fund balances	3,785	13,158	159,172	9,841
Fund balances beginning of year	18,495	9,064	(159,171)	101,543
Fund balances end of year	\$ 22,280	22,222	1	111,384

See accompanying independent auditor's report.

Sheriff McDee	County Attorney Forfeiture	Covered Bridge Preservation Association	Debt Service	Total
-	-	-	-	127,606
-	-	-	-	61,079
-	-	-	-	4,009
-	-	3,074	-	3,078
-	260	42,737	-	42,997
-	260	45,811	-	238,769
9,654	-	-	-	9,654
-	-	3,884	-	5,943
-	-	-	-	226
-	-	-	-	20,150
-	-	-	-	97,615
-	-	-	-	839
9,654	-	3,884	-	134,427
(9,654)	260	41,927	-	104,342
-	-	-	-	114,147
(9,654)	260	41,927	-	218,489
18,546	797	56,141	15,077	60,492
8,892	1,057	98,068	15,077	278,981

Schedule 3

Madison County
Combining Schedule of Net Assets
Internal Service Funds

June 30, 2013

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Assets					
Cash and cash equivalents	\$ 76,996	27	583,268	15,873	676,164
Accounts receivable	1,271	-	6,514	-	7,785
Inventories	39,138	-	-	-	39,138
Total assets	117,405	27	589,782	15,873	723,087
Liabilities					
Accounts payable	22,805	27	137,355	-	160,187
Advance from General Fund	60,000	-	-	-	60,000
Total liabilities	82,805	27	137,355	-	220,187
Net Position					
Unrestricted	\$ 34,600	-	452,427	15,873	502,900

See accompanying independent auditor's report.

Madison County

Combining Schedule of Revenues, Expenses and
Changes in Fund Net Position
Internal Service Funds

Year ended June 30, 2013

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Operating revenues:					
Reimbursements from operating funds and employees	\$ 396,144	94	1,323,559	-	1,719,797
Reimbursements from others	17,018	-	252,830	-	269,848
Total operating revenues	413,162	94	1,576,389	-	1,989,645
Operating expenses:					
Medical claims	-	-	1,511,088	-	1,511,088
Materials and supplies	424,666	210	-	-	424,876
Total operating expenses	424,666	210	1,511,088	-	1,935,964
Operating income (loss)	(11,504)	(116)	65,301	-	53,681
Non-operating revenues:					
Interest income	-	-	62	-	62
Net income (loss)	(11,504)	(116)	65,363	-	53,743
Net position beginning of year	46,104	116	387,064	15,873	449,157
Net position end of year	\$ 34,600	-	452,427	15,873	502,900

See accompanying independent auditor's report.

Madison County

Madison County
Combining Schedule of Cash Flows
Internal Service Funds

Year ended June 30, 2013

	Fuel	Supplies	Employee Group Health	Unemploy- ment Insurance	Total
Cash flows from operating activities:					
Cash received from operating fund reimbursements	\$ 459,745	89	1,305,371	-	1,765,205
Cash received from others	16,991	32	299,401	-	316,424
Cash paid to suppliers for goods and services	(428,604)	(183)	(1,681,584)	-	(2,110,371)
Net cash provided (used) by operating activities	48,132	(62)	(76,812)	-	(28,742)
Cash flows from non-operating activities:					
Interest on investments	-	-	62	-	62
Net increase (decrease) in cash and cash equivalents	48,132	(62)	(76,750)	-	(28,680)
Cash and cash equivalents beginning of year	28,864	89	660,018	15,873	704,844
Cash and cash equivalents end of year	\$ 76,996	27	583,268	15,873	676,164
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (11,504)	(116)	65,301	-	53,681
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Decrease in accounts receivable	63,601	27	28,627	-	92,255
Increase in inventories	(5,742)	-	-	-	(5,742)
Increase (decrease) in accounts payable	1,777	27	(170,740)	-	(168,936)
Net cash provided (used) by operating activities	\$ 48,132	(62)	(76,812)	-	(28,742)

See accompanying independent auditor's report.

Madison County
Combining Schedule of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets					
Cash, cash equivalents and pooled investments:					
County Treasurer	\$ -	2,590	244,488	157,358	5,387
Other county officials	19,694	-	-	-	-
Receivables:					
Property tax:					
Delinquent	-	752	1,073	45,587	1,504
Succeeding year	-	192,000	253,000	11,919,000	462,000
Accounts	95	-	-	-	-
Special assessments	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	\$ 19,789	195,342	498,561	12,121,945	468,891
Liabilities					
Accounts payable	\$ -	-	14,368	-	-
Salaries and benefits payable	-	-	1,569	-	-
Due to other governments	13,002	195,342	482,624	12,121,945	468,891
Trusts payable	6,787	-	-	-	-
Compensated absences	-	-	-	-	-
Total liabilities	\$ 19,789	195,342	498,561	12,121,945	468,891

See accompanying independent auditor's report.

Corporations	Townships	County Hospital	Special Assessments	Auto License and Use Tax	Other	Total
43,128	3,772	23,395	7,441	434,571	206,382	1,128,512
-	-	-	-	-	-	19,694
4,829	1,275	6,793	-	-	192	62,005
3,978,000	277,000	1,753,000	-	-	57,000	18,891,000
-	-	-	-	-	25,348	25,443
-	-	-	283,445	-	-	283,445
-	-	-	-	-	336	336
4,025,957	282,047	1,783,188	290,886	434,571	289,258	20,410,435
-	-	-	-	797	524	15,689
-	-	-	-	-	-	1,569
4,025,957	282,047	1,783,188	290,886	433,774	237,854	20,335,510
-	-	-	-	-	48,880	55,667
-	-	-	-	-	2,000	2,000
4,025,957	282,047	1,783,188	290,886	434,571	289,258	20,410,435

Madison County

Combining Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds

Year ended June 30, 2013

	County Offices	Agricultural Extension Education	County Assessor	Schools	Community Colleges
Assets and Liabilities					
Balances beginning of year	\$ 18,079	200,408	567,439	12,523,358	409,017
Additions:					
Property and other county tax	-	194,431	256,003	11,996,427	465,776
State tax credits	-	7,814	10,730	485,287	15,888
Office fees and collections	500,329	-	-	-	-
Electronic transaction fees	-	-	-	-	-
Auto licenses, use tax and postage	-	-	-	-	-
Trusts	260,008	-	-	-	-
Miscellaneous	-	-	169,386	-	-
Total additions	760,337	202,245	436,119	12,481,714	481,664
Deductions:					
Agency remittances:					
To other funds	363,704	-	150,832	-	-
To other governments	132,923	207,311	354,165	12,883,127	421,790
Trusts paid out	262,000	-	-	-	-
Total deductions	758,627	207,311	504,997	12,883,127	421,790
Balances end of year	\$ 19,789	195,342	498,561	12,121,945	468,891

See accompanying independent auditor's report.

Corpora- tions	Townships	County Hospital	Special Assess- ments	Auto License and Use Tax	Other	Total
4,191,070	283,124	1,815,087	361,261	355,997	349,126	21,073,966
3,861,640	284,960	1,770,664	-	-	86,611	18,916,512
127,216	11,102	70,603	-	-	1,765	730,405
-	-	-	106,355	-	-	606,684
-	-	-	-	-	4,009	4,009
-	-	-	-	5,069,201	-	5,069,201
-	-	-	-	-	272,641	532,649
735	-	-	-	-	145,437	315,558
3,989,591	296,062	1,841,267	106,355	5,069,201	510,463	26,175,018
-	-	-	-	158,016	-	672,552
4,154,704	297,139	1,873,166	176,730	4,832,611	168,168	25,501,834
-	-	-	-	-	402,163	664,163
4,154,704	297,139	1,873,166	176,730	4,990,627	570,331	26,838,549
4,025,957	282,047	1,783,188	290,886	434,571	289,258	20,410,435

Madison County

Schedule of Revenues By Source and Expenditures By Function -
All Governmental Funds

For the Last Ten Years

	2013	2012	2011	2010
Revenues:				
Property and other county tax	\$ 4,950,192	4,889,033	4,686,472	4,577,982
Local option sales tax	638,033	657,207	602,982	520,628
Interest and penalty on property tax	54,362	73,249	67,508	69,986
Intergovernmental	4,268,480	4,507,478	4,588,148	4,564,032
Licenses and permits	51,876	47,457	50,271	43,816
Charges for service	1,049,418	964,730	997,725	853,295
Use of money and property	87,971	85,308	92,295	116,991
Miscellaneous	132,709	219,062	94,568	149,770
Total	\$ 11,233,041	11,443,524	11,179,969	10,896,500
Expenditures:				
Operating:				
Public safety and legal services	\$ 2,576,984	2,662,269	2,414,981	2,407,600
Physical health and social services	646,271	676,795	638,138	730,227
Mental health	538,171	2,096,367	1,162,155	1,218,829
County environment and education	431,731	226,955	622,784	613,421
Roads and transportation	4,623,156	4,864,203	4,324,970	3,875,440
Governmental services to residents	710,190	458,115	436,243	427,940
Administration	858,981	811,147	962,660	838,801
Debt service	97,615	93,460	113,432	80,362
Capital projects	839	1,053,555	603,619	832,758
Total	\$ 10,483,938	12,942,866	11,278,982	11,025,378

See accompanying independent auditor's report.

Modified Accrual Basis					
2009	2008	2007	2006	2005	2004
4,188,008	3,922,927	3,867,637	3,590,801	3,384,031	3,489,036
550,144	590,756	565,184	555,435	398,484	-
67,857	56,820	55,586	59,215	63,583	55,809
5,039,690	4,843,465	4,597,043	4,189,078	3,796,249	3,971,314
53,116	60,676	78,218	96,303	93,608	66,124
843,810	827,092	695,027	720,040	662,292	614,945
148,741	260,310	296,128	229,810	152,709	95,810
95,833	90,103	145,912	205,838	125,017	55,565
10,987,199	10,652,149	10,300,735	9,646,520	8,675,973	8,348,603
2,253,877	2,135,309	2,095,972	1,619,411	1,558,488	1,594,735
667,658	696,699	521,118	503,749	477,518	517,376
1,138,136	1,289,301	1,296,836	1,103,099	1,012,500	951,864
662,155	674,718	515,099	531,247	454,545	436,614
4,088,516	4,333,549	3,203,353	3,703,088	3,756,935	3,699,220
415,448	398,227	376,671	481,599	372,840	367,811
1,250,962	863,733	771,529	683,606	685,801	679,426
81,278	180,158	186,885	139,211	122,661	124,018
152,549	673,579	1,044,329	644,007	320,773	549,182
10,710,579	11,245,273	10,011,792	9,409,017	8,762,061	8,920,246

Madison County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
State Administrative Matching Grants for the			
Supplemental Nutrition Assistance Program	10.561		\$ 7,599
U.S. Department of Justice:			
Iowa Department of Justice:			
Crime Victim Assistance	16.575		13,400
Violence Against Women Assistance	16.588		13,644
			<u>27,044</u>
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	BROS-CO61(87)-8J-61	92,327
Highway Planning and Construction	20.205	BROS-CO61(91)-8J-61	27,525
			<u>119,852</u>
U.S. Department of Health and Human Services:			
Iowa Department of Public Health:			
Public Health Emergency Preparedness	93.069	5882BT361	33,837
Immunization Grants	93.268	5882I452	1,928
Immunization Grants	93.268	5883I452	2,011
			<u>3,939</u>
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Refugee and Entrant Assistance - State			
Administered Program	93.566		33
Child Care Mandatory and Matching Funds of the			
Child Care and Development Fund	93.596		1,746
Foster Care _ Title IV-E	93.658		2,665
Adoption Assistance	93.659		741
Children's Health Insurance Program	93.767		28 **

Madison County
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Indirect (continued):			
U.S. Department of Health and Human Services:			
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778		7,526
Social Services Block Grant	93.667		2,323
Children's Health Insurance Program	93.767		311,109 **
U.S. Department of Homeland Security:			
Iowa Region 4 Homeland Security Board:			
State Domestic Preparedness Equipment Support Programs	97.004		419
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Emergency Management Performance Grants	97.042	EMPG-12-PT-61	25,348
Homeland Security Grant Program (Non-Cash)	97.067	EMW-2011-SS-00071-S01-01	15,003
Homeland Security Grant Program (Non-Cash)	97.067	2010-SS-T00031-02	6,607
Homeland Security Grant Program (Non-Cash)	97.067	EMW-2012-SS-00028-07	5,813
			27,423
Total			\$ 571,632

** Total for CFDA Number 93.767 is \$311,137.

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Madison County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

Madison County



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Officials of Madison County:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Madison County, Iowa, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Madison County's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Madison County's internal control. Accordingly, we do not express an opinion on the effectiveness of Madison County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-13 and II-B-13 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and,

accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


Madison County's Responses to the Findings


Madison County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Madison County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Madison County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 27, 2014

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

Madison County



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Officials of Madison County:

Report on Compliance for Each Major Federal Program

We have audited Madison County, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2013. Madison County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Madison County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Madison County's compliance.

Opinion on Each Major Federal Program

In our opinion, Madison County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance


The management of Madison County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Madison County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Madison County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program which is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 27, 2014

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were identified.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 93.767 – Children's Health Insurance Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Madison County did not qualify as a low-risk auditee.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) One individual has control over opening and listing mail receipts, collecting, depositing, posting and daily reconciling of receipts.	Ambulance, Conservation Board, Public Health Nurse, County Extension Office and Madison County Covered Bridge Preservation Association
(2) Bank accounts were not reconciled by an individual who does not sign checks, handle or record cash. Bank reconciliations were not reviewed periodically by an independent person for propriety.	Madison County Covered Bridge Preservation Association
(3) The person who signs checks was not independent of the person preparing checks, approving disbursements and recording cash disbursements.	Sheriff

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, County officials should review the operating procedures of their offices to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials.

Responses –

Sheriff – As the Sheriff's Department expands, the possibility will be greater that more personnel will be available to accomplish this task. Until then, it makes it hard to do.

Ambulance – Due to the limited staff, we will do the best of our ability to separate these duties.

County Extension Office – Agree with the assessment and concern, yet we truly are limited by a small staff. Controls will be implemented to periodically, irregularly, break-up the duties as noted by enlisting alternative staff or council to complete the duties.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Conservation Board –

Non-Reservation Camping Fee Collections (paid on-site): The 4 person full-time staff currently rotates 3 employees (Jim Liechty, Steve Pearson, John McAndrews) for weekend camping responsibilities on a weekly schedule. The Conservation Board established a Camp Ground Host Program in 2011. Two sets of camp hosts (scheduled on a rotational basis) are responsible for collecting fees and registration envelopes. The campground host collects the camping fees and registration envelopes on a daily basis and the County Conservation Board staff-person “on-duty” for each respective weekend collects the camping receipt envelopes and fees from the host on Saturday and Sunday mornings. A second staff person re-counts all weekend camping revenue on Monday mornings and we provide two sets of initialing on camping receipts deposited with the Madison County Treasurer.

Advanced Reservation Camping Fee Collections (paid in advance): *All advanced camping reservation fees are transacted by credit card only.* All four full-time staff (Jim Liechty, Steve Pearson, Molly Hanson, John McAndrews) are responsible for taking reservations and operating the “phone-in” credit card transactions. These same staff members are also responsible for filling out corresponding registration envelopes.

Shelter, Cabin and Equipment Fees: Almost 100% of these transactions are conducted by phone utilizing credit card payments (*we require credit card transactions for all phone-in reservations*). All staff personnel participate in taking such reservations and conducting the credit card transactions (depending on who is in the office or which staff person takes the phone call). Utilizing credit card transactions as the primary payment method (we discourage cash or checks for such rentals) provides an additional paper-trail from our credit card provider and associated local bank depository. A second staff person re-counts weekly revenue from these sources on Monday mornings and we provide two sets of initialing on receipts deposited with the Madison County Treasurer.

Environmental Education Program Fees: For most environmental education programs that require a fee, registrants usually mail their registration form and fee to our PO Box. These registrations and fees are usually addressed in a manner that identify them to be directed to the Naturalist, who in turn is responsible to document and deposit the fees utilizing the same duplication of initialing as mentioned above for other types of fee collections.

Mail Collection: Normally, the Director, Jim Liechty, picks up mail from the post office box. Mail is then distributed to appropriate staff. When Liechty is on vacation, Hanson normally handles all mail pickups. Since most facility reservation revenue is handled by credit card transaction, very little mail contains user fees, with the exception being Environmental Education programming fees (see above).

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

The only time we would depart from these procedures is if there is a staffing shortage in which only one staff person is present in the office for an extended period of time due to vacations, sickness or other causes requiring the absence of other staff personnel to provide duplicate initialing of deposits.

Public Health Nurse – Due to office staff changing – two (2) staff members were laid off and not replaced, and currently there are two (2) full-time office staff and 1 part-time (who works in the field) it is very hard to impossible at times to have complete segregation of duties regarding incoming revenues. We will continue to attempt to have a third party when possible assist in the process.

Madison County Covered Bridge Preservation Association – The Madison County Covered Bridge Preservation Association members will work to come up with a plan to include more members in the reconciling of receipts and find an independent person to do bank reconciliations.

Conclusions – Responses accepted.

II-B-13 Financial Reporting – During the audit, we identified 3 accounts payable transactions which were not properly reported as accruals for fiscal year 2013. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all payables are identified and included in the County's financial statements.

Response – We will work on our procedures and stress to our departments the importance of accuracy. We have put a stop to processing claims prior to receipt of products/services for which we have received invoices.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Madison County
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.
- IV-B-13 Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-13 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- IV-D-13 Business Transactions – Business transactions between the County and County officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Linda Busch, wife of County Sheriff	Office chairs	\$ 475
Laura Barnes, wife of Deputy Sheriff	Matron services	45
Jeff Johnston, part-time ambulance employee, independent contractor	Snow removal	4,015

In accordance with Chapter 331.342(2)(j) of the Code of Iowa, the transactions with the wife of the Deputy Sheriff and the wife of the Sheriff do not appear to represent conflicts of interest since cumulative transactions with each individual were less than \$1,500 during the fiscal year. However, the transactions with the part-time ambulance employee may represent a conflict of interest since cumulative transactions exceeded \$1,500 during the fiscal year.

In addition, although the transactions with the wife of the Sheriff do not appear to represent a conflict of interest, the transactions included sales tax which the County would not have paid had the office chairs been purchased directly from the vendor.

Recommendation - The County should ensure standard procedures are followed for the purchase of office furniture and ensure sales tax is not paid.

Response – The County will review the standard purchasing procedures with all department heads and diligently review all requests for reimbursement.

Conclusion – Response accepted.

- IV-E-13 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

Madison County

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- IV-F-13 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- IV-H-13 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- IV-I-13 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2013 for the County Extension Office did not exceed the amount budgeted.

- IV-J-13 Gun Safety Account – The County Sheriff maintains a bank account for the gun safety account. The financial activity of this account is not reflected in the County's financial statements and has not been included in the County's annual budget.

Recommendation – Gun safety class receipts should be remitted to the County Treasurer and credited to a Special Revenue Fund in order to reflect this activity in the County's annual budget and financial statements.

Response – The number of classes being given has now almost run out and is only one or two per year, there will be no need to maintain this account. Once the current balance on hand is diminished, it is the Sheriff's plan to close this account.


Conclusion – Response acknowledged. However, all gun safety class receipts should be remitted to the County Treasurer.

Madison County

Staff

This audit was performed by:

Jennifer Campbell, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Ryan T. Jelsma, Senior Auditor
Stephen J. Hoffman, Staff Auditor
Melissa E. Janssen, Assistant Auditor
Brandon A. Soda, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State